

## Press Release

Dornbirn, 29 June 2009

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### **The Zumtobel Group announces results for 2008/09: Economic crisis reflected in two speeds for reporting year**

- **Group revenues decline 8.4% to EUR 1,174.0 million (FX-adjusted - 5.1%)**
- **Adjusted EBIT reaches EUR 78.9 million (-35.8% / EBIT margin equals 6.7%)**
- **First effects from package of measures: EUR 16.3 million reduction in fixed costs during second half-year**
- **Energy efficiency and LED technology remain central growth drivers in spite of crisis**
- **Outlook: further deterioration in market environment expected; efficiency improvement programme increased to EUR 100 million**

Dornbirn / Austria – As a consequence of the global economic crisis, the Zumtobel Group can look back on a financial year of two different speeds. Revenues for the first half of 2008/09 matched the high prior year level after an adjustment for foreign exchange effects, but the sharp economic downturn during the second six months triggered a substantial drop in revenues and earnings. For the full reporting year (1 May 2008 to 30 April 2009), this international lighting group recorded an 8.4% decline in revenues to EUR 1,174.0 million (2007/08: EUR 1,282.3 million). After an adjustment for negative foreign exchange effects of EUR 43.0 million – above all from the weak British pound – Group revenues were 5.1% lower than in the previous financial year. EBIT adjusted for special effects totalled EUR 78.9 million, which is 35.8% below the comparable prior year figure of EUR 123.0 million. The EBIT margin reached 6.7% in 2008/09 after an adjustment for special effects (2007/08: 9.6%). Special effects amounted to EUR 21.9 million and were related above all to the implementation of personnel and structural adjustments.

#### **First positive results of measures to counter crisis**

As a reaction to the massive impact of the economic crisis on the construction-related sector, the Zumtobel Group implemented an extensive range of measures in autumn 2008 to reduce structural fixed costs by EUR 50 million before 2010/11. This programme was expanded in April 2009 by further measures that will adjust production capacity to reflect the actual development of revenues – including the shutdown of a lighting plant in Romania. In addition to the improvement of cost efficiency, activities are focused above all on the protection of liquidity and the optimisation of cash flow. Zumtobel generated positive free cash flow of EUR 57.8 million for the reporting year, which can be termed very satisfactory in view of the sharp market downturn.

“The scope, intensity and speed of this crisis have reached a previously unknown dimension. We launched a range of countermeasures in good time and are now seeing the first positive results. Our fixed costs fell by EUR 16.3 million year-on-year during the second half of 2008/09. We intend to restructure the Zumtobel Group during this difficult phase in order to be substantially leaner and more flexible without losing any of our power as a market and technology leader. For this reason, we continued to expand our presence in selected new markets during the past year and also increased

our expenditures for new technologies and innovative products by 15.7%“, explained **Andreas Ludwig, CEO of the Zumtobel Group**.

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## **Workforce adjustments**

The adjustment of fixed costs and capacity during 2008/09 to cope with the difficult economic climate led to a decline in the workforce. The goal was to limit the necessary reduction in the number of employees with flexible instruments such as educational leave, state-supported qualification measures, reduced working hours, agreements to suspend employment and a temporary decrease in working time. The number of full-time employees in the Zumtobel Group (full-time personnel, including contract workers but excluding apprentices) fell from 7,908 as of 30 April 2008 to 7,165 (-9.4%) at the end of the reporting year. This reduction was focused primarily on the production (-14.7%) and sales areas (above all the internal sales force, at -5.1%). In contrast, the number of employees in research and development rose by 38 (+9.2%). The number of employees in Austria decreased from 2,223 full-time personnel including contract workers to 2,113. The number of apprentices, who are trained above all in Austria and Germany, rose slightly to 133 compared with 122 in the previous year.

## **All segments and regions affected by the global crisis**

An analysis by segment shows that the Lighting Segment (Zumtobel / Thorn) was affected to an above-average degree by currency translation effects in 2008/09. Revenues fell by 8.2% to EUR 871.4 million for the reporting year (2007/08: EUR 948.9 million). After an adjustment for these foreign exchange effects, the decrease equalled 4.8%. Revenues in the Components Segment (TridonicAtco) declined 8.7% (FX-adjusted: -5.8%) to EUR 365.8 million (2007/08: EUR 400.4 million). In contrast, revenues from LED-based products remained on an upward trend, rising by 37.0% to EUR 50.6 million (2007/08: EUR 37.0 million). An analysis by region clearly shows that the global recession has now spread to all European markets, with revenues recorded by the Zumtobel Group in Europe declining 8.6% to EUR 952.0 million for the reporting year. Revenues in Western Europe (-10.3%) were negatively influenced by the weak British pound, while Southern Europe (-18.6%) and above all the components business were affected by the early impact of the recession in Italy and Spain. In the German-speaking countries, the second six months brought a substantial drop in market demand and a 3.4% decline in revenues for the full year. The growth markets were less affected in 2008/09: revenues fell by a slight 1.8% in Eastern Europe and Asia generated a plus of 1.5%.

## **Continued solid balance sheet structure**

Profit before tax fell by 66.7% to EUR 29.3 million and net profit for the year declined to EUR 13.3 million (2007/08: EUR 93.5 million). For the shareholders of Zumtobel AG, earnings per share equalled EUR 0.53 (2007/08: EUR 2.09). The balance sheet structure did not change significantly during the reporting year. The equity ratio fell to 43.3% in comparison with 46.5% as of 30 April 2008.

## **Suspension of dividend to improve financial power**

Against the backdrop of the difficult economic environment, the Management Board and Supervisory Board of Zumtobel AG will ask the Annual General Meeting on 24 July 2009 to approve the suspension of the dividend. These two corporate bodies believe the improvement of the company's financial power has top priority under the current circumstances.

## **Corporate strategy and potential**

In order to safeguard the long-term growth of the Zumtobel Group, the measures launched to reduce structural costs will be consistently implemented and capacity will be adjusted quickly to reflect the expected development of revenues. Further restructuring will make the company even leaner and more flexible, and allow for a return to sustainable and profitable growth after the economic climate normalises. The Group's long-term goal remains intact: to grow faster than the competition and thereby generate double-digit EBIT margins over the mid-term.

The main drivers for future growth remain the same: energy-efficient lighting and LED technology. Comprehensive intelligent lighting systems can reduce energy consumption by up to 80% and at the same time improve the quality of lighting. In addition to the intensive public discussion of energy savings in the area of lighting, demand will be increased above all by further legal regulations at the EU and national levels. The Zumtobel Group now generates approx. 70% of its revenues in the lighting business and 67% in the components business with energy-efficient products. An enormous increase in performance and parallel decline in the cost of LED chips have also significantly increased the importance of LEDs for professional lighting. From a technological standpoint, the Group has positioned itself with a clear focus on white LED light conversion and high-efficiency LED lighting sources for professional applications. Direct access to sales channels for professional lighting projects also gives the company a strategic market advantage to profit at an earlier time and to a greater extent from the shift to innovative LED technology in professional applications.

The Zumtobel Group also continues to see opportunities for growth in the development of selected new markets. These activities are focused on China, Hong Kong, India and the Middle East as well as Eastern and South-Eastern Europe. Additional opportunities are also seen in international projects and international key-account customers.

## **Outlook: further deterioration in economic climate expected**

The Management Board of the Zumtobel Group expects a further deterioration in the operating environment for the construction industry and – because of the delayed cyclical nature of its business – assumes the lighting industry will only reach the low point of this crisis in 2010. The 2009/2010 financial year is expected to bring further negative foreign exchange effects and a corresponding unfavourable impact on revenues and earnings. Since all current economic forecasts are connected with significant uncertainty, the Management Board does not consider it possible to issue a reliable outlook for revenues and earnings at the present time. Nevertheless, the Zumtobel Group is striving to hold free cash flow at a positive level even under these adverse economic conditions.

## **Cost reduction goals doubled**

In view of the expected deterioration in the market environment, the Management Board has doubled the cost reduction targets for the efficiency improvement programme implemented in the past year from the previous EUR 50 million to an upper level of EUR 100 million by the end of 2010/11. The Management Board also expects a further reduction in the workforce: "The extent of the necessary personnel adjustments cannot be precisely estimated at present because they are dependent on the development of revenues. However, we will continue to work closely with our employee representatives to develop flexible and socially acceptable solutions that will allow us to retain as many employees as possible in these difficult times", indicated CEO Andreas Ludwig.

# zumtobel group

## Overview of Key Data

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in EUR million	2008/09	2007/08	Change in %
Revenues	1174,0	1282,3	-8,4
Adjusted EBIT	78,9	123,0	-35,8
<i>as a % of revenues</i>	6,7	9,6	
EBIT	57,0	121,9	-53,2
Profit before tax	29,3	87,9	-66,7
Net profit for the year	13,3	93,5	-85,8
Earnings per share (in EUR)	0,53	2,09	-74,8

in EUR million	30 April 2009	30 April 2008
Total assets	1.053,9	1.105,9
Equity	456,0	514,2
<i>Equity ratio in %</i>	43,3	46,5
Net debt	163,5	129,0
Cash flow from operating results	107,3	166,0
Investments	64,7	66,0
Headcount inc. contract worker (full-time equivalent)	7.165	7.908

### Information

The press release and the annual financial report with the complete consolidated financial statements of Zumtobel AG for 2008/09 are available for download under: [http://www.zumtobelgroup.com/en/press\\_center.htm](http://www.zumtobelgroup.com/en/press_center.htm)

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### **A brief portrait of the Zumtobel Group:**

The Zumtobel Group, based in Dornbirn in the Vorarlberg region of Austria, is one of the few global players in the lighting industry. The Group, which started as Elektrogeräte und Kunstharzpresswerk W. Zumtobel KG in 1950, employs as of 30 of April 2009 a workforce of 7,165 and posted consolidated revenues of EUR 1,174.0 million in the 2008/09 financial year. Under the leadership of its Management Board with Andreas J. Ludwig (CEO) and Thomas Spitzenpfeil (CFO), the Group is made up of the following segments: the Lighting Segment covers the luminaire business and comprises the Thorn and Zumtobel brands; the Components Segment with its TridonicAtco brand handles the lighting components business, including modules and systems; and the LED Division supports the LED activities of the other Group brands and also develops new customer groups through the Ledon brand. The financial year of the Zumtobel Group commences on 1 May and ends on 30 April. For further information, please visit [www.zumtobelgroup.com](http://www.zumtobelgroup.com)